

~~SECRET~~

NATIONAL INTELLIGENCE ESTIMATE

THE PROBABLE OUTLOOK FOR INDONESIA THROUGH 1954



NIE 65-54

Approved 11 May 1954

Published 19 May 1954

DOCUMENT NO. 1
NO CHANGE IN CLASS. 1
~~X~~ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE: 5-26-81 REVIEWER: CC9256

The Intelligence Advisory Committee concurred in this estimate on 11 May 1954. The AEC and FBI abstained, the subject being outside of their jurisdiction.

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

CENTRAL INTELLIGENCE AGENCY

100-101012-45

100-101012-45

100-101012-45

~~SECRET~~

209641

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

- a. Special Assistant to the Secretary for Intelligence, for the Department of State
- b. Assistant Chief of Staff, G-2, for the Department of the Army
- c. Director of Naval Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant to the Director, FBI, for the Federal Bureau of Investigation
- h. Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

3. The overseas dissemination of this intelligence will be limited to a period of one year or less, at the end of which time it will be destroyed, returned to the forwarding agency, or permission requested of that agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Foreign Operations Administration
Operations Coordinating Board
Atomic Energy Commission
Federal Bureau of Investigation
United States Information Agency

THE PROBABLE OUTLOOK FOR INDONESIA THROUGH 1954

THE PROBLEM

To assess the political situation in Indonesia and to estimate probable political developments in that country through 1954.

CONCLUSIONS

1. At least through the period of this estimate, political developments in Indonesia will probably continue to center around efforts of the Nationalist Party (PNI) to retain and consolidate control of the government. To maintain its majority in parliament, the present PNI coalition government depends on the support of Communist votes. If the PNI moves too rapidly in its efforts to build up its position or goes too far in its acceptance of Communist support, it runs the risk of being overthrown, either by a military coup or by parliamentary action. However, the PNI apparently recognizes this danger and, moreover, will probably continue to have the strong support of President Sukarno. The disparate elements which make up the opposition are so far only loosely aligned with one another and have not coordinated their efforts to any degree. As a consequence, we believe that the PNI has a better than even chance of retaining power through 1954.
2. Continued rule by the present government is likely to be marked by some further deterioration of the internal security and economic situation, but it is unlikely that a serious threat to the stability of the country will emerge during 1954 as a result of these trends.
3. The Communists will probably continue to gain in strength and prestige during the period of this estimate as a consequence of continuation of the present government in power. However, it is extremely unlikely that the Communists will be in a position to gain control of the government, legally or by force, during 1954. It is also unlikely that acknowledged members of the Communist party will be brought into the present government, because such a move might cause significant defections from the coalition, perhaps even within the PNI itself, and might provoke violent action by opposition elements.
4. While the effects of military and political developments in the Associated States of Indochina may eventually force Indonesia to abandon its present self-styled "independent" position, it is unlikely that this will come to pass within the period of this estimate.

5. Should a weakening of the opposition enable the present government to retain office for a protracted period beyond 1954, the Communists' capabilities for ultimately dominating the government would greatly increase, and could lead to a situation seriously prejudicial to US security interests in Southeast Asia.¹ Loss of Indonesia to the Communist Bloc would pose a distinct threat both to the

Philippines and Australia, and would provide the Communists with ready access to important sources of petroleum, rubber, tin, and mica. From a strategic point of view, Indonesia would then be available for the establishment of Communist advanced naval and air bases which could dominate and control the sea and air lines of communications of this vitally strategic area.

DISCUSSION

I. PRESENT SITUATION

6. The political situation in Indonesia remains unsettled. No national elections have ever been held, and the present provisional parliament lacks a popular mandate. Partly in anticipation of elections now scheduled for early 1955, and partly in reaction to Communist support for the government, an increasingly wide division has developed between the incumbent Nationalist Party (PNI) and its moderate rivals, the Moslem Party (Masjumi) and the Socialists. The condition of political instability has been intensified by the involvement of the political parties with factionalism in the armed forces. The Communists have gained substantial opportunities for expanding their influence.

7. Until mid-1953 Indonesia had, with one short-lived exception, a series of coalition governments including representatives of both the PNI and the Masjumi. Signs of an impending breakdown in this coalition system appeared in the so-called 17 October affair of 1952, when the PNI sponsored a motion which

was critical of the Minister of Defense and was aimed at blocking government plans for reducing the army to a more compact and professionalized force. A faction of the armed forces came near to revolt and demanded dissolution of parliament and immediate elections. The intervention of President Sukarno resolved the immediate crisis. However, PNI sniping at the coalition continued, and on 2 June 1953 the government finally resigned, rather than face a PNI-supported no-confidence vote. Nine weeks later, after four previous attempts to form a cabinet had failed, President Sukarno finally accepted a PNI-led cabinet from which members of the Masjumi and the Socialist Party were excluded.

8. The Ali government which took office on 30 July 1953 is the farthest left of Indonesia's cabinets to date. Ali himself is generally conservative in outlook, but seven members — Defense, Justice, Labor, Finance, Agriculture, Education, and Foreign Affairs — are men of leftist background. None, however, is an avowed Communist, although two — the Ministers of Defense and Labor — have comported themselves as though they might be fellow travellers. Since assuming office, the Minister of Foreign Affairs has been markedly cooperative with the US Ambassador, and the Ministers of Agriculture, Finance, and Education have also tended to cooperate with American official and business representatives in Indonesia. However, in order to maintain a parliamentary majority, the government depends on the 19 votes of the Communist party and the Communist-run labor federation, SOBSI.

¹The Assistant Chief of Staff, G-2, Intelligence, Department of the Army, would substitute the following for the above sentence:

"The increase in Communist strength and prestige as a consequence of continuation of the present government in power is detrimental to the stability and present orientation of Indonesia. It is considered unlikely that positive counteraction will be taken by the opposition to check this trend. Therefore, it is likely that the progressive development of this trend could eventually lead to a situation which would seriously jeopardize US security interests in Southeast Asia."

~~SECRET~~

3

9. The Ali cabinet has the support of President Sukarno, who remains Indonesia's strongest and most influential figure. Sukarno's motives in backing the present government are not entirely clear. He may have done so partly in an effort to reduce Masjumi influence, fearing that a Masjumi victory in the planned elections might result in greatly increased Moslem influence, possibly including a Moslem constitution for Indonesia. He may also have done so partly in an effort to reduce the influence of the military group which led the 17 October affair. Finally, he may have regarded acceptance and support of the Ali cabinet as the only alternative to an "executive" cabinet in which he would either have to take personal responsibility for day-to-day governmental operations or turn matters over to Vice-President Hatta. Whatever Sukarno's motives, his support of the Ali cabinet and his efforts to aid that cabinet have caused him to become increasingly identified in Indonesian eyes with the PNI, and his unifying influence as a purely national figure above party politics has somewhat diminished.

10. Since taking office, the Ali government has concentrated on strengthening its own position and weakening that of the opposition. It has removed some Masjumi and Socialist sympathizers from key positions in the provincial administrations and in the various ministries, and is continuing its efforts in this regard. In preparing for the national elections, the government has tried to rig the electoral machinery. Masjumi and Socialist representatives were completely excluded from the central elections committee set up by the government. Following Masjumi protests, however, representation was granted on the subordinate regional committees that were later established.

11. The government has also strengthened its hold over the armed forces. Defense Minister Iwa Kusumasumantri has indicated that he wants control of all military appointments down through regimental level. He has succeeded in transferring to his own staff virtually all the powers of the Armed Forces Chief of Staff. Several army officers of Iwa's own choice have been named to high staff posts

without the consent of the Army Chief of Staff.

12. The efforts of the government forces to weaken the political opposition and to consolidate their control over the armed forces have met increasing though not always effective resistance. In December 1953, feeling against Iwa's actions came to a head among army leaders, and there were rumors of a coup. The Army Chief of Staff submitted his resignation, and four out of the seven Territorial Commanders joined in a demand for Iwa's resignation. A serious crisis was averted through a compromise personally arranged by President Sukarno. Iwa's actions were allowed to stand, but the Army Chief of Staff retained his post and Iwa undertook to make no further appointments without consulting him. More recently, the parliamentary opposition, which rallied to the support of the dissenting Territorial Commanders in December, has become more outspoken against the government and its policies. On two recent occasions the Masjumi staged mass demonstrations in protest against PNI and Communist propaganda attacks on it.

13. However, a unified opposition, prepared to take the initiative against the government, has still to emerge. The government's military critics, who probably still hold more than two-thirds of the key field commands, have made no effort to obtain political backing and have actually done little to band together among themselves. The political parties opposing the government in parliament are divided on many issues and have thus far made no serious coordinated effort to drive the PNI from office.

14. The actions of the Ali government and the PNI since coming into power have been marked by continuing close collaboration with the Communists. The willingness of the government and the PNI to work with the Communists probably derives from belief that the Communists can safely be used to help forestall Masjumi domination of Indonesia, rather than from a desire to help the Communists to implement their program.

~~SECRET~~

~~SECRET~~

However, some government policies to date have been to the advantage of the Communist as well as the PNI position. Both have benefited from the weakening of Masjumi and Socialist influences in the civil service and the army. There is no evidence of direct Communist control over government policy, but on occasion both the government and the PNI have taken action specifically beneficial to the Communists alone. The government has shown partiality toward SOBSI, the Communist-controlled labor federation in its distribution of Ministry of Labor patronage. On the other hand, the government has thus far resisted the Defense Minister's efforts to arm PERBEPSI, the Communist-dominated veterans organization, and has refused to allow continued occupation of estate lands in Sumatra by Communist-led squatters. Nevertheless, the prestige and influence of the Communists have been enhanced by their close association with the government.

15. The principal Communist threat in the present situation derives from the government's acceptance of Communist support. Communist party membership is estimated at less than 100,000 out of a population of about 80 million, and Communist military strength is still limited to a few guerrilla bands in Java. However, by successful exploitation of a "united front" policy, the Communists have achieved PNI acceptance of their support, thus enhancing Communist prestige and influence, and have been able to infiltrate government machinery and non-Communist political organizations. In addition, the Communists have considerable potential to further their aims through their control of SOBSI, whose estimated 800,000 members make up the bulk of organized labor. A SOBSI general strike, by disrupting estate production and transportation, could at a minimum seriously embarrass the government.

16. The government has made little progress with the major problems of establishing law and order throughout Indonesia. No effective steps have been taken to quell dissidence in south Celebes, and disorders have broken out among the Atjehnese of northern Su-

matra. The activities of the fanatic Moslem dissident group, Darul Islam, continue.

17. Indonesia's economic position has continued to deteriorate during the present government's tenure. A drastic drop in world tin and rubber prices has created a serious deficit in balance of payments, and foreign exchange reserves have fallen to within four percent of the minimum 20 percent reserve requirement. The government deficit has increased. The government has done little to solve any of Indonesia's economic problems, though it has made a few bilateral trade deals in an effort to obtain markets for its tin and rubber.

18. The Ali government has continued the Indonesian foreign policy of "independence" in the East-West struggle. Relations with the Communist bloc have been strengthened by sending ambassadors to Moscow and Peiping and by opening trade negotiations with certain Bloc countries. At the same time, relations with the US, which had deteriorated during 1952 and 1953, have recently shown some signs of improvement. A request has been made for US assistance in national police training, and the Foreign Minister has expressed a desire to proceed with a Treaty of Commerce and Navigation. Although Indonesia's "independent" and "anticolonialist" policy frequently leads it to be critical of Western actions in the present world situation, Indonesia's economic and political ties continue to be predominantly with the West.

II. PROBABLE POLITICAL DEVELOPMENTS THROUGH 1954

19. Political developments in Indonesia will probably continue, at least through 1954, to center around the efforts of the PNI to retain and consolidate its control of the government. The PNI recognizes that its chief opponent, the Masjumi, appears to be politically strong throughout Indonesia and might even win a majority in an honest election. The PNI is also aware that many military leaders are opposed to the present government's policies with respect to the armed forces and are increasingly critical of government collaboration with the Communists. However, if the PNI attempts too blatantly to rig the elector-

al machinery, appears to be unduly delaying elections, or goes too fast in attempting to consolidate control over the armed forces, it runs the risk of being overthrown either by a military coup or parliamentary action.

20. If the present government should fall by parliamentary means, the successor government would probably be headed by the Masjumi and be drawn from the present opposition and from minor parties now in the present government. If the present government's downfall resulted from PNI refusal further to cooperate with the Communists, the new coalition might also include PNI representation. Under the new government, efforts would almost certainly be made to circumscribe the activities of the Indonesian Communist Party, but it is unlikely that the party would be formally banned. However, there is some chance that an "executive cabinet" pending elections under President Sukarno might take over. In any event, the new government would probably concentrate on preparation for elections.

21. Any attempt to overthrow the present government by force would probably involve the Masjumi leadership and Vice-President Hatta. The latter is known to be concerned about the Communist problem and the present government's military policies, and is recurrently reported to be at odds with Sukarno. Even if the military leaders took action without securing prior political cooperation, they would almost certainly welcome any support they could get from opposition political leaders. Those Territorial Commanders who are in opposition to the government's military policies and collaboration with the Communists appear to have the preponderance of military strength under their control. Most of the military units in west Java (site of the capital), central Java, north Sumatra, and Borneo — about 85,000 troops, would probably side with the opposition, as would a substantial proportion of the 17,000-man Police Mobile Brigade. Many of the remaining units of the National Police Force scattered throughout Indonesia would probably also be sympathetic to a coup.

22. However, the success of any coup would require a considerable degree of coordination among a number of disparate elements which are so far only loosely aligned with one another. Moreover, unless a revolt scored overwhelming initial successes, there would almost certainly be resistance by some pro-government forces in Java. Under such conditions, the coup leaders would probably have to secure the cooperation of President Sukarno to prevent a long-drawn-out civil war from developing.

23. We believe that PNI has a better than even chance of retaining power through 1954. Because of its awareness of the hazards of moving too fast, it will probably yield on specific issues when confronted with strong opposition. Moreover, it will probably continue to have the strong support of President Sukarno, who in response to the threatened withdrawal of one of the smaller government parties reportedly threatened to dissolve parliament and to retain Ali as prime minister. Some influential members of the PNI have expressed dissatisfaction with party acceptance of Communist support, and there are unsubstantiated reports of PNI attempts to reach a working agreement with the Masjumi and thus reform the coalition on which most previous governments have been based. However, a PNI-Communist split, which would bring down the government, does not appear likely to develop at any early date, because both sides profit from the present arrangement. Meanwhile, the military opponents of the regime, who apparently have no political ambitions of their own, have displayed little inclination, except as a last resort, to take up arms against a legally constituted government enjoying President Sukarno's support.

24. Continued rule by the PNI and its present allies will probably be marked by some further deterioration of internal conditions in Indonesia. Little progress is likely to be made in suppressing dissidents. There will probably be some further weakening of the effectiveness of the armed forces as a result of the government's efforts to reduce the strength of the 17 October element within the

~~SECRET~~

~~SECRET~~

6

armed forces. However, it is unlikely that a serious threat to the stability of the country will emerge during 1954 as a result of these trends. Although the government will probably have little success either in solving its fiscal and foreign trade problems or in attracting foreign capital during 1954, the adverse effects of continued economic drift and depression will probably not become acute during this period.

25. Continuation of the present coalition in power will provide the Communists with further opportunities for building up their popular strength, infiltrating the government machinery, and pushing for adoption of policies favorable to the Communist cause. As a consequence, the Communists will probably continue to gain in strength and prestige during the period of this estimate. It is extremely unlikely, however, that the Communists will gain power, legally or by force, during 1954. It is also unlikely that acknowledged members of the Communist party will be brought into the present coalition government, because such a move might cause significant defections from the coalition, perhaps even within the PNI itself, and might provoke violent action by opposition elements. Moreover, until conservative influence in the armed forces has been eliminated or greatly weakened, or until Communist guerrilla strength has been developed to a far greater extent, the Communists will remain incapable of seizing control by force.

26. Should a weakening of the opposition enable the present government to retain office for a protracted period beyond 1954, the Communists' capabilities for ultimately dominating the government would greatly increase, and could lead to a situation seriously prejudicial to US security interests in Southeast Asia.² Loss of Indonesia to the Communist Bloc would pose a distinct threat both to the Philippines and Australia, and would provide

the Communists with ready access to important sources of petroleum, rubber, tin, and mica. From a strategic point of view, Indonesia would then be available for the establishment of Communist advanced naval and air bases which could dominate and control the sea and air lines of communications of this vitally strategic area.

27. The self-styled "independent" foreign policy of the present government will probably remain substantially unchanged during the period of this estimate. The government will probably continue its efforts to develop its relations with the Communist world. Impending negotiations with the Netherlands are likely to result in the dissolution of the Netherlands-Indonesia Union. The Indonesian request for reinitiation of talks with the Netherlands on the future political status of Western New Guinea (Irian), which was left unsettled at the time of the transfer of sovereignty to Indonesia, is unlikely to be granted. Indonesia's diplomatic actions will probably include attempts to win support for the Indonesian position on New Guinea from other members of the Asian-African bloc.

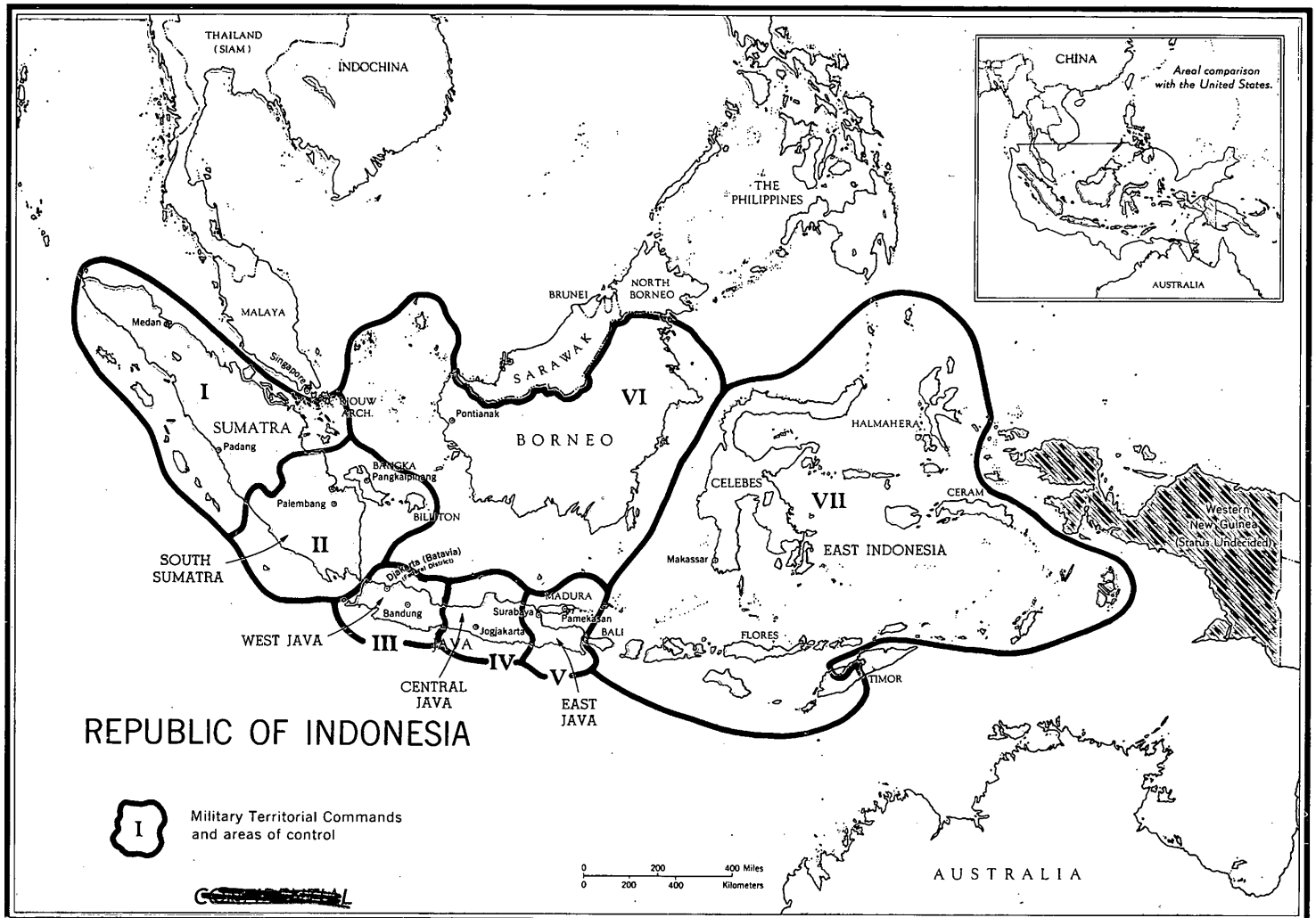
28. While the effects of military and political developments in the Associated States of Indochina may eventually force Indonesia to abandon its present self-styled "independent" position, it is unlikely that this will come to pass within the period of this estimate.

² The Assistant Chief of Staff, G-2, Intelligence, Department of the Army, would substitute the following for the above sentence:

"The increase in Communist strength and prestige as a consequence of continuation of the present government in power is detrimental to the stability and present orientation of Indonesia. It is considered unlikely that positive counteraction will be taken by the opposition to check this trend. Therefore, it is likely that the progressive development of this trend could eventually lead to a situation which would seriously jeopardize US security interests in Southeast Asia."

~~SECRET~~

CONFIDENTIAL



~~SECRET~~